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Senate Floor Speech of Senator Chuck Grassley
on Mexico's High Fructose Corn Syrup Tax
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Mr. President, few trade policy developments in recent years have been more significant for the United States than our flourishing economic partnership with Mexico. The comprehensive free trade agreement in which we both participate, and which has contributed so much to the prosperity and freedom in both countries, stands out as a model of hemispheric cooperation.

However, I am greatly troubled by a recent Mexican action targeting our corn refining industry that I fear may disrupt, and even seriously damage, our bilateral trade relations.

On Jan. 1 of this year, Mexico imposed a totally unwarranted, discriminatory tax of from 10 to 20 percent on soft drinks sweetened with high fructose corn syrup. The United States is a major supplier of high fructose corn syrup. We export it directly to Mexico, and it is produced in Mexico by wholly-owned subsidiaries of United States firms. These companies have invested hundreds of millions of dollars in Mexico, providing many jobs to Mexican workers.

Much of the corn that is used to produce high fructose corn syrup is grown in my state of Iowa. Mr. President, I don't like to attribute bad motives to my neighbors. We don't do that in Iowa. And I certainly don't like to do that to a country with whom we share both a hemisphere and a rich cultural heritage. But facts are facts. And the fact is, Mexico applies this new tax only to soft drinks containing high fructose corn syrup. Soft drinks containing cane sugar – which Mexico produces in great abundance – are exempt from the tax. In my judgment, this discriminatory application of the tax clearly violates Mexico's WTO national treatment obligations.

If the Mexican tax stays on the books for the rest of the year, the corn growers and corn refiners in Iowa, and throughout the United States, will be badly hurt. I fear that some of them may lose their crops, their income, and perhaps even their farms and their livelihoods. Estimates are that corn refiners will lose about \$244 million this year. Our farmers will lose another \$66 million in corn sales. And as surplus high fructose corn syrup production mounts, other losses will pile up as well. So even though there is new, progressive political leadership in Mexico – one that I greatly admire and respect – it looks like some are still employing the old, tired politics of the past. If you can't compete fairly or efficiently, try to muscle your competition out of the market.

Mr. President, this is just the sort of "beggar thy neighbor" trade policy of the past that we have worked so hard to overcome, both with the creation of the North American Free Trade Agreement, and with the creation of the World Trade Organization. It is very discouraging, therefore, just as we are starting the real work on a new round of WTO trade negotiations, in which we hope to further liberalize world trade, to suddenly find ourselves fighting a harmful protectionist

measure imposed by one of our closest neighbors and trading partners.

Currently, Mexico is our third largest agricultural export market. This market grew an astounding 15 percent last year. If the present trend continues, Mexico will surpass Canada as our second largest agricultural market in the next two or three years. I know this robust growth in competitive agricultural exports has caused some friction between our two countries. But we cannot and must not handle our differences by resorting to the beggar thy neighbor policies of the past. One response to Mexico's unfair and illegal tax on high fructose corn syrup would be to enact a similar tax on a Mexican product, such as Mezcal. So far, I have not pursued this sort of retaliation. I still hope that Mexico will respect its international trade commitments, and repeal this legislation permanently. But, Mr. President, let me make this very clear. My patience is limited.

Minister Luis Derbez, Mexico's Secretary of the Economy, stated that his government is committed to resolving this issue by Feb. 15. I accept Minister Derbez's word on this. Mr. President, the time to resolve this problem is now, before we do any more damage to America's hard-working farming families.